

Incentivising Multilateral Fund Contributions

Private sector payments to protect biodiversity

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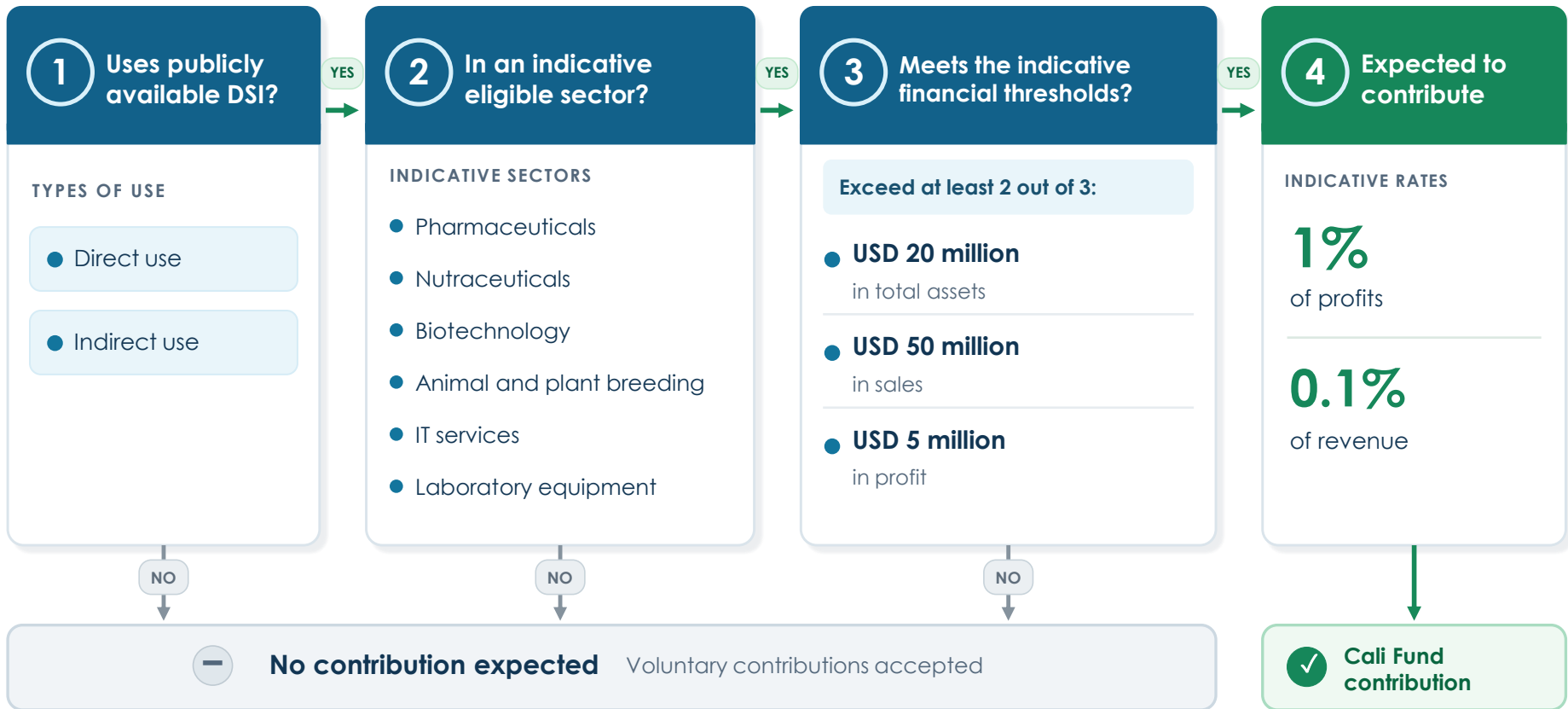
Today's focus

1. Decision 16/2 uncertainties and revenue potential
2. National measures to incentivise Cali Fund contributions
3. Recommendations

1. Decision 16/2, uncertainties and revenue potential

Who is expected to pay?

An entity is expected to contribute to the Cali Fund only if it meets all four conditions in sequence



How much revenue can be raised?

Scenario	Annual (central estimates)				NPV at 3% (\$bn)	
	Mean (\$mn)	P5	P95	% of S0	To 2030	To 2035
S0 Full compliance	3,646	—	—	100.0	17.2	32.0
S1 Sector heterogeneity	1,162	810	1,533	31.9	5.5	10.2
S2 Sector and ownership	1,203	830	1,602	33.0	5.7	10.6
S3 Sector, ownership, and DSI intensity	929	591	1,296	25.5	4.4	8.2
S4 Gradual uptake (S3 + maturation)	—	—	—	—	1.3	4.3

Notes: P5 and P95 reflect uncertainty in sector-level participation rates across 10,000 Monte Carlo draws. NPV for S1–S3 assumes static participation ($c_t = 1$); S4 applies a maturation scalar rising linearly from 10% in 2026 to 100% by 2035, applied to the S3 central estimate (Section 5.1.3). S3 is the central scenario for annual revenue analysis; S4 is the central scenario for NPV projections. Discount rate sensitivity is reported in Table 20. Reference year 2023.

- Firm-level estimates for 21,690 companies across 100 countries, applying the Decision 16/2 contribution rule under full compliance and Monte Carlo-calibrated voluntary uptake scenarios



Beyond the headline figures

- **Revenue base is concentrated**

a) Across firms: **Top 100 firms: ~30%**

b) Across sectors: **Pharma: ~50%**

c) Across countries: **Top 10 comprise ~ 73% of the total revenue**

- **Eligible population is highly threshold-sensitive; contributions are not**

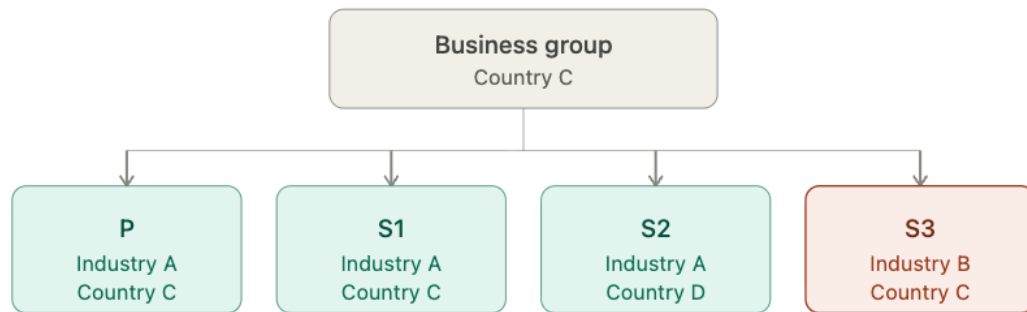
- Doubling 2/3 thresholds cuts the eligible population by 43.5% but reduces contributions only by 7.4%;
- Halving thresholds grows the population by 66% but adds only 5.5%



Ambiguity 1: What counts as an “entity”?

- **Decision 16/2 gives no definition.**

- Working assumption: an individual legal entity; typically an operating, for-profit company
- Could be linked to IFRS *reporting entity*



Teal = same industry as the group. Coral = different industry, same country.

P = parent company. S = subsidiary.

- **The open question**

- Subsidiary* or consolidated corporate group**? It changes who actually pays and how much.

Illustrative example of a multinational corporate group structure

Source: Based on **Bajgar et al. (2019)**

One company, two very different pictures

Category	Group level	Subsidiary level
Number of contributions	• One contribution per group	• Multiple contribution points
Number of jurisdictions	• One jurisdiction	• Multiple jurisdictions possible
Potential for contribution minimization	• Eliminates intra-group profit shifting	• Revenue and profit shifting between subsidiaries to shrink contribution base
	• Restructuring risk shifts to group boundary (e.g. through spin-offs)	• Restructuring risk: DSI activity moved into below-threshold entities
Proportionality	• Fairness concern if not all subsidiaries use DSI	• More targeted: only DSI-relevant entities contribute
Meeting thresholds	• Easier to meet thresholds	• Harder to meet thresholds

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What if we mix and match?

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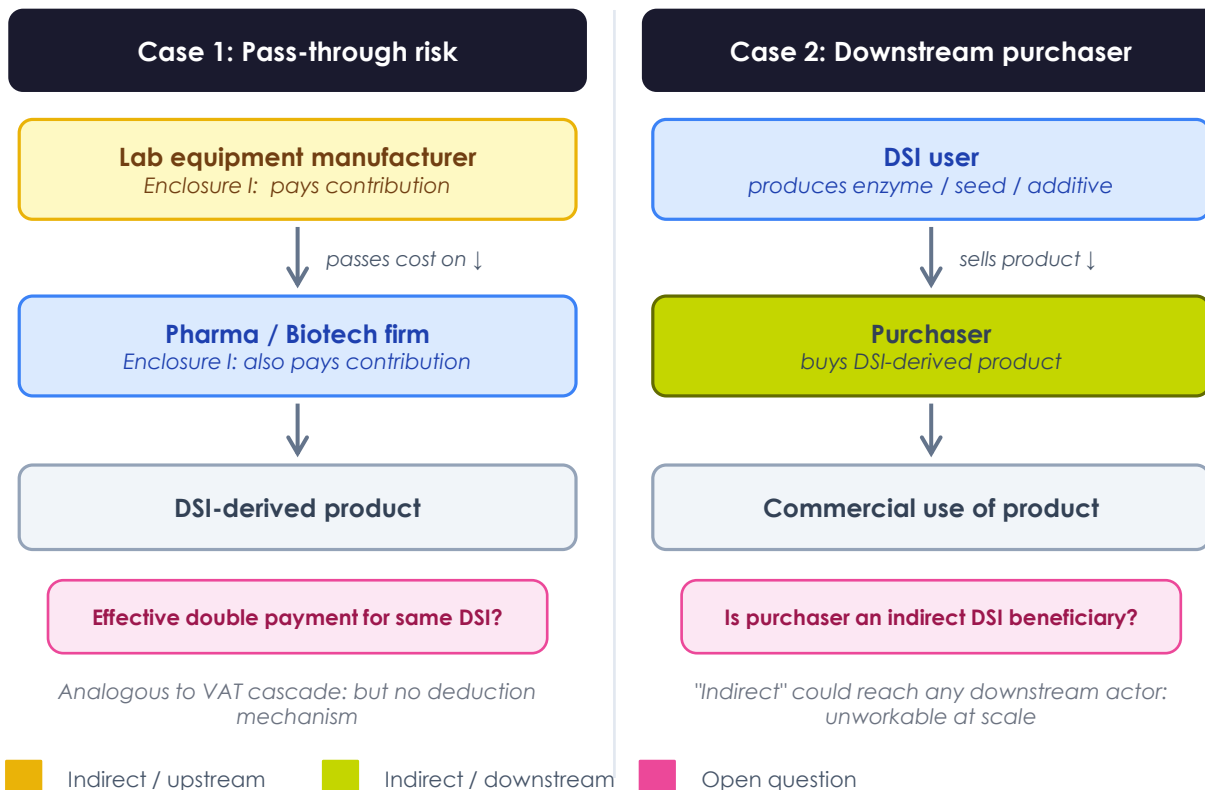
Thresholds at corporate group-level, contributions at a subsidiary level

- **Captures large multinationals** (incl. US-headquartered firms operating across CBD Parties)
- **Enables (improved) proportionality**: payment limited to a subsidiary actually using DSI

Anchors:

- EC Recommendation on SME definition*
 - where **a parent company holds 25% or more of a subsidiary's capital or voting rights, the subsidiary's financials are combined with the parent's** (in part or in full, depending on the size of the stake or control established) when assessing SME status, so the subsidiary cannot qualify as an SME on its own figures alone.
- US affiliation rule**:
 - a business is assessed together with any entity that controls it or that it controls, where control can be established through majority ownership (50%+) or through other means such as management overlap or a disproportionately large minority stake.

Ambiguity 2: direct and indirect uses



How to limit obligation stacking along the value chain?

Option 1: Remove or narrow "indirect"

- Lab equipment already listed explicitly in Enclosure I - stays in scope regardless
- Narrows scope without losing cases Parties likely had in mind
- Risk: may exclude some intended beneficiaries

Option 2: Trigger at first commercial use

- Liability attaches to the first entity that commercialises a product or service incorporating DSI
- A single trigger point may undercount cases where value is captured well downstream of first commercialisation (e.g. licensing)

Option 3: VAT-style deduction mechanism

- Each entity declares whether inputs already incorporate DSI that's been contributed on
- Downstream entities rely on the declaration rather than re-tracing the chain
- Exemption or deduction?

Option 4: Clearer sector definitions

- Can help limit who is in scope
- Do not resolve where along the value chain liability attaches

Ambiguity 3: indicative sectors, indicative contribution rates

- **Indicative sectors in Enclosure I**

- The list helps identify sectors in scope but may require a review:
 - Cosmetics? Chemicals?
- More precise scope could use standard industrial classification systems such as ISIC or NACE (see Oldham (2025)*)
 - Caveat: mapping challenging for some sectors e.g. Nutraceuticals

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- **Indicative contribution rates**

- Indicative = interim? Payments below the indicative rate allowed?
- The CBD study on contribution rates finds the current rates appropriate
- Proportionality problem can be addressed via the contribution base

Contribution = contribution rate x contribution base

$$\begin{array}{rcl} 1\% & \times & \text{total profit} \\ 0.1\% & \times & \text{total revenue} \end{array}$$

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Contribution = contribution rate x contribution base

1%	x	~~total profit~~	% of total profit / revenue
0.1%	x	~~total revenue~~	corresponding to DSI use?

Ambiguity 4: 2 out of 3 thresholds

- **Thresholds are not indicative but:**

- They capture some EU companies classified as medium
 - Revenue threshold of USD 50 million is similar to the EU's EUR 50 million (~\$58.1M).
 - Assets threshold of USD 20 million is considerably below the balance sheet ceiling of EUR 43 million (~\$50.0M)
- No explicit protection of SMEs
- No planned adjustment for inflation
 - Directive 2013/34/EU article 3(13) supports an indexed approach every 5 years

2. National Measures to incentivise contributions

What makes the case for corporate action on biodiversity?



Motivations

Protect business value

Reduce risk exposure and increase resilience by protecting supply chains and assets.

Strengthen commercial positioning

Gain market access by securing biological assets via ABS, research, partnerships and capacity-building

Maintain stakeholder support

Keep social license to operate and shareholder expectations that motivate investment.



Constraints

Free riding in DSI

Open-access sequences remain available without contributing. Cali has no access conditionality.

Separate compliance obligations

Cali payments do not replace national ABS or Nagoya Protocol obligations.

Public benefits, private costs

Companies bear conservation costs while benefits extend to non-contributors.

Options to Incentivise Cali Fund Contributions

Four complementary levers translate biodiversity value into incentives that shape corporate decisions.

POLICY LEVER		INCENTIVE EFFECT	ILLUSTRATIVE MECHANISMS
01	Make contributions commercially visible	Makes payment a reportable, credible corporate action. >	Disclosure recognition Assurance Certification Branding
02	Increase the cost of non-contribution	Raises investor, reputational or regulatory pressure on non-participants. >	Stewardship Public benchmarks Comply-or-explain Regulatory hardening
03	Increase the value of contributing	Provides benefits that non-contributors cannot obtain. >	Contributor clubs Regulatory credit Convening access Legal certainty
04	Reduce the cost of contributing	Lowers after-tax or administrative costs while retaining the company's financial stake. >	Sustainable finance instruments (e.g., green bonds) Business-expense treatment Streamlined procedures Targeted tax incentives

Lever 1: Making contributions commercially visible

Disclosure frameworks and reporting

DSI dependence is rarely visible in corporate reporting, making a contribution harder to communicate as a credible nature-related action.

EVIDENCE FROM THE REVIEW

Only one sustainability-related document among the companies reviewed mentioned DSI.

Even then, it did not disclose or quantify the company's reliance on DSI.

WHY THE REPORTING GAP PERSISTS

01 Location-first frameworks

TNFD, ESRS E4 and GRI 101 focus on in-situ nature impacts; DSI use may occur without physical activity in the source location.

02 No explicit DSI metrics

The reviewed frameworks do not expressly cover DSI, although existing ABS and R&D disclosures offer partial entry points.

03 Private R&D blind spot

Public sequence records can be followed, but traceability becomes difficult once data enters private R&D pipelines.

POTENTIAL POLICY OPTION

Recognise verified Cali Fund contributions within existing reporting frameworks; use qualified proxies such as genetic-resource R&D spending, sequence-linked patents and INSDC references, without claiming complete DSI traceability.

Lever 1: Making contributions commercially visible

Disclosure frameworks and reporting

Proxies for reporting DSI-related R&D, compliance, patents and sequence references.

METRIC/DATA POINT	WHAT IT CAPTURES	METRIC/DATA POINT	WHAT IT CAPTURES
1 Genetic-resource R&D expenditure	Share of R&D spending linked to genetic-resource use	5 Sequences accessed or downloaded from public DSI databases	DSI informing R&D, even without a sequence in the final product.
2 Internationally Recognised Certificates of Compliance	Number of IRCCs referenced in the reporting period	6 Sequencing instruments and related equipment expenditure	Indirect proxy for in-house DSI generation and use where sequence-level reporting is unavailable
3 Patents citing sequences (claimed vs cited)	Distinguishes sequences central to an invention from supporting references		
4 Keystone or ecologically significant species with DSI sourced	Flags reliance on species with ecologically pivotal roles.		

Lever 1: Making contributions commercially visible

Certificates and verification

Decision 16/2 provides for an annual certificate for a contribution to the Cali Fund. Its broader value depends on its design, verification and recognition.



WHAT DECISION 16/2 PROVIDES

Annual certificate for contributing entities

For that year, contributors are excluded from further monetary benefit-sharing obligations **under this mechanism.**

ELEMENTS TO OPERATIONALISE THE CALI FUND CERTIFICATE

01 REPUTATIONAL

The certificate: differentiates between high and low performers, is independently verified and assured, and is simple to communicate.

02 TRANSPARENCY

Verified certificates can be recognised in existing frameworks, including GRI 101-3, ESRs E4, and TNFD reporting.

03 LEGAL

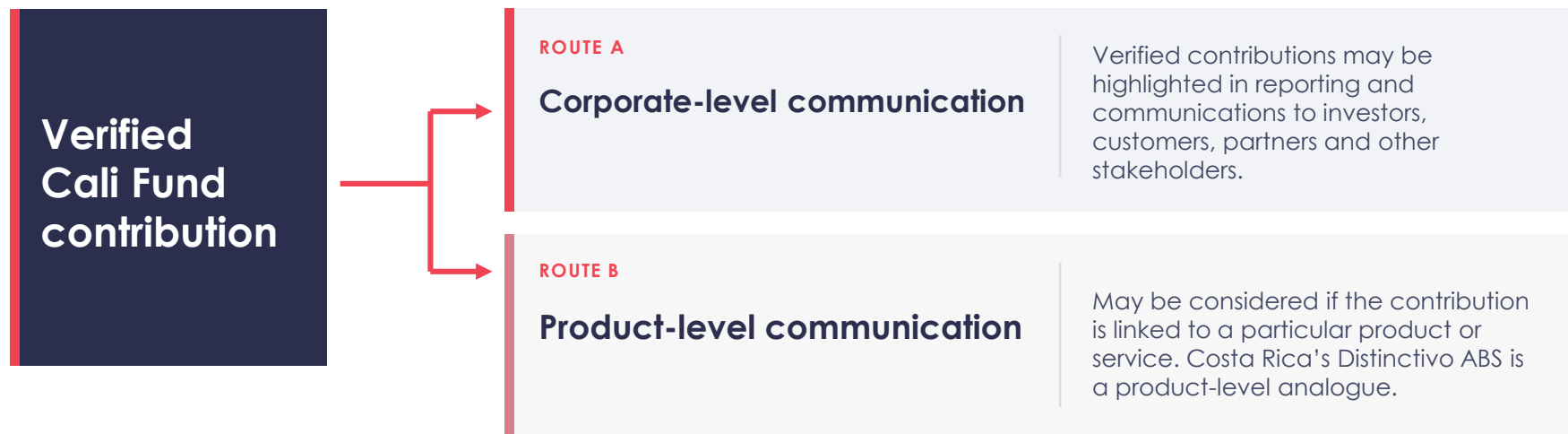
Countries clarify how it interacts with national legislation and defines interaction with other international mechanisms.

Lever 1: Making contributions commercially visible

Branding

Use of a verified contribution as part of a company's corporate or product-level communications.

Particularly relevant in consumer-facing sectors, where biodiversity, natural ingredients or genetic resources can be more readily connected to the products being sold.



Lever 2: Increasing the cost of non-contribution

Investor stewardship and engagement

Voluntary contributions can still attract shareholder scrutiny

HOW PRESSURE COULD DEVELOP

- 01 Investor engagement**
Shareholders bring biodiversity-related expectations into engagement and voting.
- 02 Comply or explain**
Companies may be asked to explain whether and why they contribute to the Cali Fund.
- 03 Disclosure and benchmarks**
Non-contribution becomes more visible, increasing reputational scrutiny.

The cost is reputational, not a legal penalty.

Lever 2: Increasing the cost of non-contribution

Shift from voluntary expectations to mandatory compliance over time

01

CURRENT POSITION

Decision 16/2 says companies “should” contribute.

Payment remains voluntary.

02

POSSIBLE EVOLUTION

Disclosure or explain requirements could become more formal.

Future payment obligations remain uncertain.

03

COMPANY RESPONSE

If stronger rules seem plausible, firms may prepare to identify DSI use,

calculate contributions and document payments.

Lever 3: Increasing the value of contributing

Contributor clubs and membership benefits

DSI would remain available to all, while verified contributors could receive additional, selective benefits.

THE FREE-RIDER PROBLEM

**Access to DSI
does not depend
on contributing**

Participants and non-participants
benefit from continued DSI
availability.

POSSIBLE DESIGN: CONTRIBUTORS' CLUB

Entry: verified contribution | Decision 16/2 certificate as evidence

POTENTIAL BENEFITS TO MEMBERS OF THE CONTRIBUTORS CLUB

01 Recognition

A visible link to Fund participation

02 Access to information

Updates on allocations and results

03 Dedicated briefings

Access to focused Fund briefings

Membership must not confer privileged influence over Fund governance or resource allocation.

Industry examples

Responsible Minerals Initiative provides members with unique due-diligence tools and sourcing network.

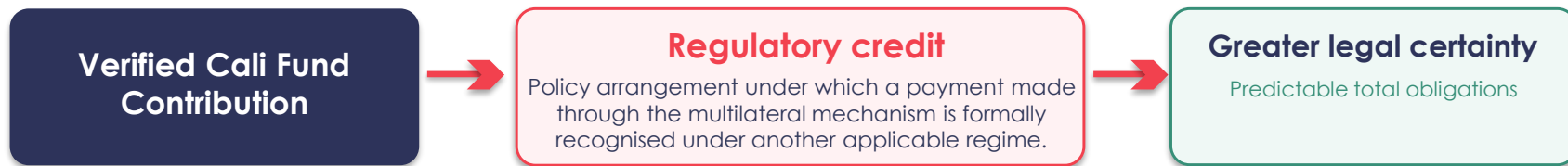
Roundtable on Sustainable Palm Oil (RSPO): certification demonstrates compliance and grants access to markets

Lever 3: Increasing the value of contributing

Regulatory credit and legal certainty

Potential to reduce the legal or regulatory uncertainty that companies face when complying with benefit-sharing requirements.

POLICY OPTION



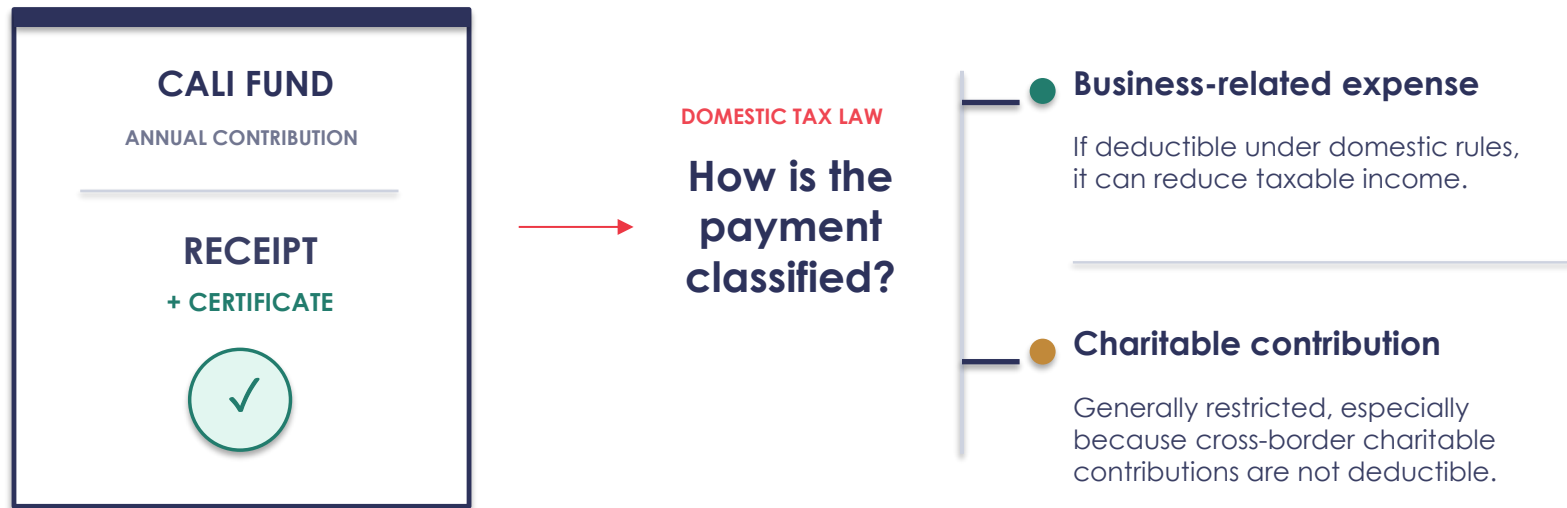
APPROACHES

- Mutual recognition arrangements between the multilateral and national systems
- Defined safe harbour provisions (certain conduct will be deemed not to violate a given law)

Lever 4: Reducing the cost of contributing

Business-expense treatment

The same payment can carry a different after-tax cost. Clarifying existing tax treatment is different from creating a new tax incentive and it is up to every country.



Policy option: domestic tax authorities could clarify the treatment of verified contributions.

Lever 4: Reducing the cost of contributing

Targeted fiscal incentives

A tax credit or deduction can make participation more attractive. It lowers companies' costs but uses public resources.

Considerations

Eligibility gateways

Only documented payments qualify.

Additionality

Avoid subsidising payments that would happen anyway.

Jurisdiction

Consider where companies using DSI are located and taxed.

Avoid leaving countries with both conservation costs and the fiscal cost of incentives when firms are headquartered elsewhere.

Recommendations

to embed Cali Fund contributions in core business decisions.

01 Make contributions commercially visible

- **Disclosure:** Add DSI-use proxies to GRI/TNFD.
- **Certificates and branding:** contribution levels are independently verified; certificates must be clearly defined and within a specific reporting period; define a controlled-use mark and communication guidance.

02 Increase the cost of non-contribution

- **Investor engagement:** Investor coalitions ask firms about DSI reliance and Cali Fund participation.
- **Policy clarity:** The CoP could signal possible future expectations without assuming mandatory payments in the short term.

03 Increase the value of contributing

- **Contributor clubs:** Offer membership benefits to contributors, such as Fund briefings and exclusive dialogue with stakeholders.
- **Legal certainty:** Explore regulatory credit, mutual recognition and safe harbours.

04 Reduce the cost of contributing

- **Sustainable finance:** Explore traceable, ring-fenced sovereign green-bond pathways.
- **Tax treatment:** Clarify domestic tax rules; safeguard any targeted fiscal incentives.

Thank you!

